

Agricultural Budgeting System in Korea

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INTRODUCTION

Government budgets are divided into subsidies and loans in terms of project support schemes. In addition, they are also divided into central government and local government budgets, each of which has general and special accounting.

The special account is a budget scheme that does not comply with the principle that disallows budgets for a special purpose and which is a general principle of budgeting, and in which account is not integrated for executing special policy projects with their focus on stabilized budgets.

A fund is for specially managing and flexibly using funds to execute budgets by connecting the funds to a specific project more closely than the special account. The ministry responsible for the project becomes a managing authority.

The agricultural sector has a complex budget structure with five special accounts including the Special Accounts for the Structural Improvement of Agricultural and Fishing Villages and the Grain Management Special Account, and seven funds including the Farmland Management Fund, the Fund for Stabilizing Agricultural Product Prices, and the Direct Payment Fund for Compensating for Farmer's Income Loss.

The project expenditure in the agriculture budget is spent for direct investments by the government and related authority or lending to farmers. Loans for business operators are provided through agriculture-related special accounts or funds and are named as policy loans. The financial resources of policy loans are based on the government's budgets, or using commercial banks by compensating the gap of interest with the govt's budgets (interest make-up).

The investments and loan projects for agriculture and forestry utilize the bottom-up approach for adjusting and budgeting a project when an enterpriser applies through the government's administration system. To this end, cities, counties and provinces have their own agricultural policy council to examine projects applied in their district under jurisdiction to request MAFRA (Ministry of Agriculture, Food and Rural Affairs) or concerned administration to budget for the projects.

MAFRA and concerned administration request the Ministry of Planning and Budget to allot budget for the projects. The budget plan is submitted to the National Assembly for approval (Fig. 1). MAFRA publishes the Guideline for Agricultural and Forestry Investments and Loan Projects every year, which includes agricultural and forestry investments and loan projects and the application process, scale and details of support for providing transparent policy project information.

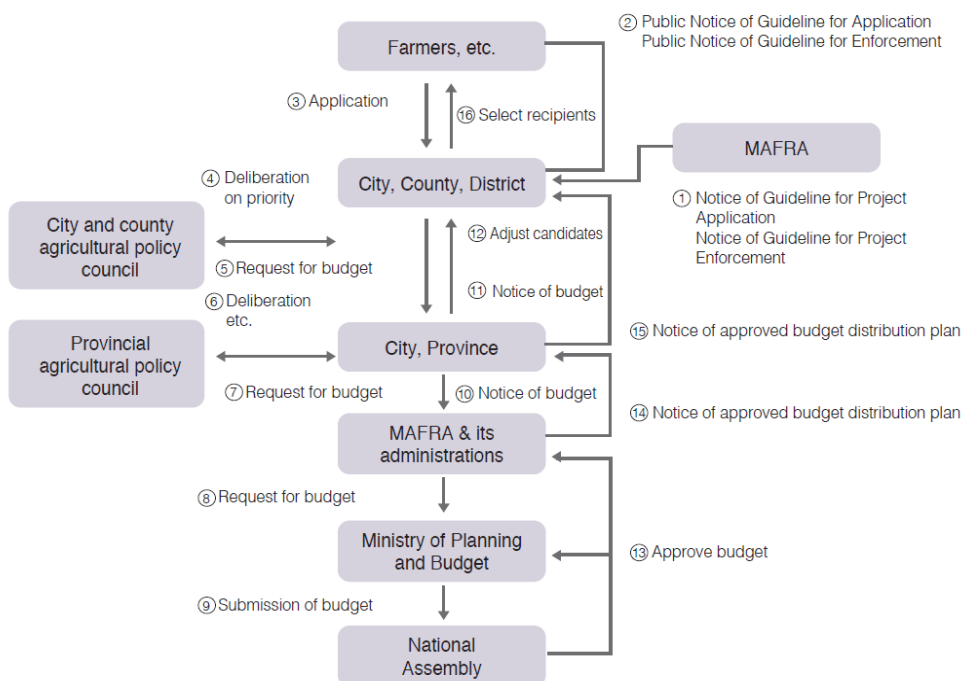


Fig. 1. Agricultural and Forestry Investment and Loan System

Source: Ministry of Agriculture, Food and Rural Affairs

SCALE OF AGRICULTURAL BUDGETS AND PORTION OF EACH SECTOR IN 2015

The budgets for agriculture are 19 trillion 300 billion won(US\$ 17 billion) including those for subordinate administrations in 2015, 3.1% more than last year, and account for 5.1% in the entire budgets of the Korean government. The budgets for MAFRA only are 14 trillion 43.1 billion won(US\$ 12 billion), 3.0% more than last year.

Table 1 shows budgets for each project sector focusing on the budgets for MAFRA. The project cost accounts for 97% of the entire budgets, and the budgets for grain management and agricultural product distribution account for 26.7%, the greatest part based on the budgets in 2015. The budgets for enhancing the soundness of agriculture account for 23.4%, and those for stabilizing farm income and management and for creating production bases account for 19.4% and 17%, respectively.

Although the rural development(9.9%) and welfare promotion(3.6%) sector accounts for 13.5% of the total budget and is the smallest among the five sectors, the ratio is significantly higher than in the past, suggesting that the importance of rural policy has gradually increased. Although changes in expenditures of agricultural budgets for each sector show an increase in quantity in comparison with 2010, the sector for enhancing the soundness of agriculture shows continuing increases, and the sector for stabilizing farm income and management increased again compared to the late 2000s. The sectors for grain management, agricultural trade, rural

development and welfare enhancement generally show a similar tendency.

Table 1. Budgets of MAFRA and distribution by project sector

Unit: 100 million won, %

Category		2014(A)	2015(B)	%	Year on Year (B-A)/A
Total expenditure		136,371	140,431	100.0	3
Sector	● Project expenditure	132,881	136,860	97.5	3
	● Agriculture, rural areas	124,528	127,451	(100.0)	2.3
	● Enhance soundness of agriculture	31,059	29,844	(23.4)	Δ3.9
	● Stabilize farm income & management	23,230	24,663	(19.4)	6.2
	● Promote rural welfare	4,277	4,565	(3.6)	6.7
	● Rural development	12,172	12,664	(9.9)	4
	● Grain management, agricultural product trade	33,656	34,031	(26.7)	1.1
	● Create agricultural production infrastructures	20,133	21,685	(17.0)	7.7
	● Food business	7,723	8,401		8.8
	● Other project expenditure	631	1,008		59.8
	● Basic expenditure	3,490	3,571	2.5	2.3

Source: Ministry of Agriculture, Food and Rural Affairs

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